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*Counsel for Official Committee of Unsecured
Creditors*

General Counsel for Chapter 11 Trustee

**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SANTA ANA DIVISION**

In re:

Chapter 11

THE LITIGATION PRACTICE GROUP,
P.C.,

Case No. 8:23-bk-10571-SC

Debtor.

**NOTICE OF FIRST SUPPLEMENT TO
DISCLOSURE STATEMENT
DESCRIBING JOINT CHAPTER 11
PLAN OF LIQUIDATION (DATED
MARCH 22, 2024)**

Hearing Date and Time

Date: May 15, 2024

Time: 1:30 p.m.

Place: *In Person or Via ZoomGov*

Courtroom 5C

411 West Fourth Street

Santa Ana, California 92701

1 **PLEASE TAKE NOTICE** that, on March 22, 2024, the Official Committee of Unsecured
2 Creditors (the “Committee”) of The Litigation Practice Group P.C. (the “Debtor”), in the above-
3 referenced bankruptcy case (the “Bankruptcy Case”) pending under chapter 11 of title 11 of the
4 United States Code (the “Bankruptcy Code”)¹ and Richard A. Marshack, in his capacity as the chapter
5 11 trustee of the Debtor (the “Trustee” and, together with the Committee, the “Plan Proponents”),
6 jointly submitted the *Disclosure Statement Describing Joint Chapter 11 Plan of Liquidation (Dated*
7 *March 22, 2024)* [Docket No. 1058] (as may be amended, modified, or further supplemented, the
8 “Disclosure Statement”). A jointly-submitted motion [Docket No. 159] to approve the Disclosure
9 Statement is set for hearing before the above-captioned Court on May 15, 2024, at 1:30 p.m.

10 **PLEASE TAKE FURTHER NOTICE** that the Plan Proponents hereby file the Liquidation
11 Analysis (as that term is defined in the Disclosure Statement) attached hereto as **Exhibit A** as a
12 supplement to the Disclosure Statement.

13
14 DATED this 29th day of April, 2024.

15 **FOX ROTHSCHILD LLP**

16
17 By: /s/ Nicholas A. Koffroth
18 Keith C. Owens (Bar No. 184841)
19 Nicholas A. Koffroth (Bar No. 287854)
20 Constellation Place
21 10250 Constellation Blvd., Suite 900
22 Los Angeles, California 90067
23 *Counsel for the Committee*

16 **MARSHACK HAYS WOOD LLP**

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19 Laila Masud (Bar No. 311731)
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21 Irvine, California 92620
22 *General Counsel for Chapter 11 Trustee*

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28 ¹ Unless otherwise noted, all references to “Section” or “§” refer to a section of the Bankruptcy Code.

EXHIBIT A

Comparison of Proposed POL vs Ch 7 Liquidation

	Proposed Ch 11 POL	Hypothetical Ch 7 Liquidation	Proposed POL Higher / (Lower)	Pass Best Interests Test ?	Comments
Estimated Recovery to Creditors					
Secured Claims	100.0%	100.0%	0.0%	PASS	
<u>Administrative Expenses</u>					
Super-priority Admin Loans	100.0%	100.0%	0.0%	PASS	
Ch 11 Fees & Expenses	100.0%	100.0%	0.0%	PASS	Includes all post-petition professionals plus UST Fees
Ch 7 Fees & Expenses	NA	100.0%	NA	NA	Includes all post-conversion professionals plus UST Fees
Operating Expenses	100.0%	100.0%	0.0%	PASS	Includes all amounts incurred post-petition, post-Eff Date, and/or post-conversion
Priority Unsecured Claims	100.0%	100.0%	0.0%	PASS	
<u>General Unsecured Claims</u>					
Projected GUC Recovery	4,760,005	4,544,829	215,177	PASS	Projected recoveries exclude litigation recoveries, which remain subject to further analysis Filed GUC POCs of \$485+ mil est'd to be Allowed at \$190 mil, subject to further analysis
Est'd Allowed GUC Claims Pool	190,000,000	190,000,000			
% Recovery	2.51%	2.39%	0.11%	PASS	

As shown above, the Proposed Plan of Liquidation ("POL") is expected to generate the same or a higher recovery to all creditors, including General Unsecured Creditors ("GUC"), than a hypothetical conversion to a Ch 7 liquidation.

It should be noted that this analysis does not yet include the anticipated recoveries on various causes of action and other litigation efforts currently being pursued by the Chapter 11 Trustee. The Chapter 11 Trustee believes that these recoveries will be material, and would be benefit GUCs under both the POL and Ch 7 liquidations scenarios equally, however these efforts are too preliminary to assign any potential values to them.

It should also be noted that under a hypothetical liquidation scenario, most payments to creditors are expected to be substantially delayed compared to the timing anticipated under the Proposed POL, the impact of which has not yet been factored in to the above analysis.

	2024	2025	2026	2027	Total
<u>Cash Flow Projections</u>					
Residual Sale Proceeds	2,848,625	5,085,645	689,687	0	8,623,957
Recovery on Pending Litigation		<i>No assigned value</i>			
Other Cash Receipts	228,142	0	0	0	228,142
Total Inflows	3,076,767	5,085,645	689,687	0	8,852,099
<u>Operating Expenses of the Ch 11 Bankruptcy Estate</u>					
Ordinary Course Professionals	(100,000)	0	0	0	(100,000)
Other Expenses	(37,895)	0	0	0	(37,895)
Ch 11 Trustee Fees	(479,149)	0	0	0	(479,149)
UST Fees	(11,591)	0	0	0	(11,591)
Total Ch 11 Operating Disb	(628,635)	0	0	0	(628,635)
<u>Operating Expenses of the Liquidating Trust</u>					
Ordinary Course Professionals	0	(100,000)	(100,000)	(100,000)	(300,000)
Other Expenses	(7,579)	(45,474)	(45,474)	(45,474)	(144,001)
Liq Trustee Fees	0	(93,379)	(89,183)	(8,688)	(191,249)
UST Fees	0	(122,001)	(23,883)	(2,707)	(148,591)
LT Oversight Expenses	(20,000)	(120,000)	(120,000)	(120,000)	(380,000)
Total LT Operating Disb	(27,579)	(480,854)	(378,540)	(276,868)	(1,163,841)
<u>Payments on Estimated Allowed Claims (excl General Unsecured Claims)</u>					
Secured Claims	(3,000,000)	0	0	0	(3,000,000)
Super-priority Admin Loans	(1,205,279)	0	0	0	(1,205,279)
Post-Petition Professional Fees	(7,703,272)	0	0	0	(7,703,272)
Administrative Claims	(959,458)	0	0	0	(959,458)
Priority Unsecured Claims	(499,313)	0	0	0	(499,313)
Est'd Allowed Claims (excl GUC)	(13,367,323)	0	0	0	(13,367,323)
General Unsecured Claims	0	(2,153,074)	(2,594,206)	(12,725)	(4,760,005)
Net Cash Flows	(10,946,769)	2,451,717	(2,283,059)	(289,593)	(11,067,705)
Beginning Cash	11,067,705	120,936	2,572,652	289,593	11,067,705
Ending Cash	120,936	2,572,652	289,593	(0)	0

See Notes below (p4), it is too preliminary to estimate a recovery on pending litigation efforts

See Notes below (p4), est'd prof fees shown for analysis purposes only, actuals fees will vary

See Notes below (p4), est'd prof fees shown for analysis purposes only, actuals fees will vary

See Notes below (p4), for purposes of this analysis, UST Fees shown as paid through discharge

See Notes below (p4), secured claims assumed to be settled for a total of \$3 million

See Notes below (p4), est'd prof fees shown for analysis purposes only, actuals fees will vary

Beginning Cash per December 2023 MOR, all of which is assumed to be available to fund the POL

Notes:

10/31/2024	Assumed Effective Date, Secured, Administrative, and Priority Claims to be paid in full
1/31/2026	Projected date that last payment of Residual Sale Proceeds is received from Buyer
12/31/2027	Assumed date that liquidation is completed and payments made to all creditors

	2024	2025	2026	2027	Total
<u>Cash Flow Projections</u>					
Residual Sale Proceeds	2,848,625	5,085,645	689,687	0	8,623,957
Recovery on Pending Litigation		No assigned value			
Other Cash Receipts	228,142	0	0	0	228,142
Total Inflows	3,076,767	5,085,645	689,687	0	8,852,099
<u>Operating Expenses of the Ch 11 Bankruptcy Estate</u>					
Ordinary Course Professionals	(100,000)	0	0	0	(100,000)
Other Expenses	(37,895)	0	0	0	(37,895)
Ch 11 Trustee Fees	0	0	0	(114,438)	(114,438)
UST Fees	(11,591)	0	0	0	(11,591)
Total Ch 11 Operating Disb	(149,486)	0	0	(114,438)	(263,924)
<u>Operating Expenses of the Ch 7 Bankruptcy Estate</u>					
Ordinary Course Professionals	0	(100,000)	(100,000)	(100,000)	(300,000)
Other Expenses	(7,579)	(45,474)	(45,474)	(45,474)	(144,001)
Ch 7 Trustee Fees	0	0	0	(581,138)	(581,138)
UST Fees	0	(2,541)	(2,625)	(143,425)	(148,591)
Post-Conversion Prof Fees	(30,000)	(180,000)	(180,000)	(180,000)	(570,000)
Total Ch 7 Operating Disb	(37,579)	(328,015)	(328,099)	(1,050,037)	(1,743,729)
<u>Payments on Estimated Allowed Claims (excl General Unsecured Claims)</u>					
Secured Claims	0	0	0	(3,000,000)	(3,000,000)
Super-priority Admin Loans	(1,205,279)	0	0	0	(1,205,279)
Post-Petition Professional Fees	0	0	0	(7,703,272)	(7,703,272)
Administrative Claims	0	0	0	(959,458)	(959,458)
Priority Unsecured Claims	0	0	0	(499,313)	(499,313)
Est'd Allowed Claims (excl GUC)	(1,205,279)	0	0	(12,162,044)	(13,367,323)
General Unsecured Claims	0	0	0	(4,544,829)	(4,544,829)
Net Cash Flows	1,684,424	4,757,630	361,588	(17,871,347)	(11,067,705)
Beginning Cash	11,067,705	12,752,129	17,509,759	17,871,347	11,067,705
Ending Cash	12,752,129	17,509,759	17,871,347	0	0

See Notes below (p4), it is too preliminary to estimate a recovery on pending litigation efforts

See Notes below (p4), est'd prof fees shown for analysis purposes only, actuals fees will vary

See Notes below (p4), est'd prof fees shown for analysis purposes only, actuals fees will vary

See Notes below (p4), for purposes of this analysis, UST Fees shown as paid through discharge

See Notes below (p4), secured claims assumed to be settled for a total of \$3 million

See Notes below (p4), est'd prof fees shown for analysis purposes only, actuals fees will vary

Beginning Cash per December 2023 MOR, all of which is assumed to be available to fund the POL

<u>Notes:</u>		
10/31/2024	Assumed date of conversion from Ch 11 to Ch 7	
1/31/2026	Projected date that last payment of Residual Sale Proceeds is received from Buyer	
12/31/2027	Assumed date that liquidation is completed and payments made to all creditors	

Notes to Proposed POL Feasibility Analysis and Hypothetical Ch 7 Liquidation AnalysisNotes to Proposed POL Feasibility Analysis

The Proposed POL Feasibility Analysis assumes a scenario based on the currently proposed Plan of Liquidation ("POL"), including:

- The Bankruptcy Estate continues operating until the assumed Effective Date of Nov 1, 2024, after which operations continue under the structure of the Liquidating Trust (as described in the Disclosure Statement),
- All Super-Priority Administrative Loans are paid per their terms,
- All Ch 11 Professional Fees and Allowed Secured, Administrative, Priority, and 503(b)(9) Claims are to be paid as per the proposed POL, which for purposes of this analysis are assumed to be paid on the Effective Date,
- Fees owed to the Ch 11 Trustee are assumed to be paid on the Effective Date; fees owed to the US Trustee are assumed to be paid quarterly in arrears; fees owed to the Liquidating Trustee are assumed to be paid monthly in arrears, and
- Additional LT Oversight Expenses of \$10k / month are assumed to be incurred during the timeframe of the Liquidating Trust and paid monthly.

Amounts shown for Secured, Administrative, Priority, and 503(b)(9) Claims have been preliminarily estimated based on claims filed through their court-approved bar dates and remain subject to a claims reconciliation process which may result in material adjustments.

- The Chapter 11 Trustee believes the vast majority of Secured Claims are subject to dispute and so for purposes of this analysis, it is assumed that all Secured Claims will be settled for a total \$3 million with any remaining amounts owed being unsecured deficiency claims; this remains subject to ongoing negotiations with such creditors and the above referenced claims reconciliation process.

Amounts to operate both the Bankruptcy Estate and the Liquidating Trust include annual tax reporting costs plus other relatively small amounts for insurance, document retention, and other required disbursements.

The Proposed POL Feasibility Analysis assumes a discharge from bankruptcy occurs by the end of the calendar year following the receipt of the last payments of Residual Sale Proceeds from the Buyer. US Trustee fees are projected throughout that timeframe, as well as fees owed to the Liquidating Trustee, which are estimated at 3% of the projected disbursements from the Liquidating Trust.

The Liquidating Trustee is assumed to retain legal professionals to assist with pursuing Litigation Recoveries. It is assumed that any such fees incurred will be less than the Litigation Recoveries themselves. Because the Litigation Recoveries remain subject to further analysis at this time, neither the inflows nor the outflows are included in this analysis, pending further details becoming available.

Notes to Hypothetical Ch 7 Liquidation Analysis

The Hypothetical Ch 7 Liquidation Analysis includes the same basic assumptions as the Proposed POL Feasibility Analysis, including the still-pending analysis of potential Litigation Recoveries (net of any legal costs), with the following exceptions:

- The case is converted to a Ch 7 Liquidation instead of having a POL confirmed, and a Ch 7 Trustee is appointed to pursue the monetization of any remaining assets and to determine the final amounts owed to any creditors in keeping with the bankruptcy code. Potential payments to all creditors and also to the Ch 11 Trustee are accordingly deferred while the Ch 7 Trustee performs such tasks.

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is 10250 Constellation Boulevard, Suite 900, Los Angeles, CA 90067.

A true and correct copy of the foregoing documents entitled: NOTICE OF FIRST SUPPLEMENT TO DISCLOSURE STATEMENT DESCRIBING JOINT CHAPTER 11 PLAN OF LIQUIDATION (DATED MARCH 22, 2024) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On 4/29/2024, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- **Eric Bensamochan** eric@eblawfirm.us, G63723@notify.cincompass.com
- **Ronald K Brown** ron@rkbrownlaw.com
- **Christopher Celentino** christopher.celentino@dinsmore.com, caron.burke@dinsmore.com
- **Shawn M Christianson** cmcintire@buchalter.com, schristianson@buchalter.com
- **Randall Baldwin Clark** rbc@randallbclark.com
- **Leslie A Cohen** leslie@lesliecohenlaw.com, jaime@lesliecohenlaw.com; clare@lesliecohenlaw.com
- **Daniel A Edelman** dedelman@edcombs.com, courtecl@edcombs.com
- **Christopher Ghio** christopher.ghio@dinsmore.com, Kristina.Heller@Dinsmore.com
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- Paul R Shankman PShankman@fortislaw.com, info@fortislaw.com
- Leslie Skorheim leslie.skorheim@usdoj.gov
- Andrew Still astill@swlaw.com, kcollins@swlaw.com
- United States Trustee (SA) ustpreion16.sa.ecf@usdoj.gov
- Sharon Z. Weiss sharon.weiss@bclplaw.com, raul.morales@bclplaw.com, REC_KM_ECF_SMO@bclplaw.com
- Johnny White JWhite@wrslawyers.com, jlee@wrslawyers.com;eweiman@wrslawyers.com

2. **SERVED BY UNITED STATES MAIL:** On 4/29/2024, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows.

Debtor

The Litigation Practice Group P.C.
17542 17th St., Suite 100
Tustin, CA 92780

See attached for additional parties

3. **SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on 4/29/2024, I served the following persons and/or entities by personal delivery, mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

The Honorable Scott C. Clarkson
United States Bankruptcy Court, Central District of California
411 West Fourth Street, Suite 5130 / Courtroom 5C
Santa Ana, CA 92701-4593

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

4/29/2024

Kimberly Hoang

/s/ Kimberly Hoang

Date

Printed Name

Signature

Additional Parties Served by U.S. Mail

Creditors who have the 20 largest unsecured claims

Debt Validation Fund II, LLC
5075 Lower Valley Road,
Atglen, PA 19310

MC DVI Fund 1, LLC; MC
DVI Fund 2, LLC
598 Cottonwood Dr.,
Glenview, IL 60026

Validation Partners LLC
1300 Sawgrass Pkwy, Ste. 110
Sunrise, FL 33323

Marich Bein LLC
99 Wall Street, Ste 2669
New York, NY 10005

Business Centers of America
1100 Sir Francis Drake Blvd,
Ste 1, Kentfield, CA 94904

JP Morgan Chase
3 Park Plaza, Ste 900
Irvine, CA 92614

CA Franchise Tax Board
PO Box 942857
Sacramento, CA 94257-0511

Outsource Accelerator Ltd
City Marque Limited
Unit 8801-2 Bldg. 244-248
Des Voeux Rd.
Central Hong Kong

Collaboration Advisors
400 Dorla Court
Zephyr Cove, NV 89448

Anthem Blue Cross
PO Box 511300
Los Angeles, CA 90051-7855

Azevedo Solutions Groups, Inc.
420 Adobe Canyon Rd.
Kenwood, CA 95452

Debt Pay Pro
1900 E Golf Road, Suite 550
Schaumburg, IL 60173

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Sharp Business Systems
8670 Argent St
Santee, CA 92071

Tustin Executive Center
1630 S Sunkist Steet, Ste A
Anaheim, CA 92806

Exela Enterprise Solutions
2701 E. Grauwyler Road
Irving, TX 75061

Netsuite-Oracle
2300 Oracle Way
Austin, TX 78741

Credit Reporting Service Inc
548 Market St, Suite 72907
San Francisco, CA 94104-5401

Document Fulfillment Services
2930 Ramona Ave #100
Sacramento, CA 95826

Executive Center LLC
5960 South Jones Blvd
Las Vegas, NV 89118

LexisNexus
15500 B Rockfield Blvd
Irvine, CA 92618

Secured Creditors

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323 Sunny Isles Blvd., Suite 503
Sunny Isles, FL 33154

City Capital NY
1135 Kane Concourse
Bay Harbour Islands, FL 33154

Counsel for secured creditor Fundura Capital Group
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Glendale, CA 91203